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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

AAA

What Is the Cotton Situation?

Prepared by the Southern Division of the Agricultural Adjustment Administration

The Cotton Belt needs and deserves something better than to be left to shift for itself in the competitive world markets. For a full century the cotton-producing South has suffered a handicap from the protective tariff policy which the industrial interests of the North and East have imposed upon it. For a full century the people of the South have been forced to a lower average standard of living than they would have had if the tariff had not been in effect.

Since the tariff is so deeply rooted in our economic system that to eliminate it is a practical impossibility, simple justice demands that the Nation find some way to make up for the handicap that the tariff imposes upon the South. There is only one way to do this, and that way is through payments which would give cotton producers a higher return on an allotted production goal.

(From an address by HENRY A. WALLACE, Secretary of Agriculture, before a meeting of farmers at Memphis, Tenn., October 1, 1937.)

The purpose of this leaflet is to present some facts about the cotton situation which affect cotton prices and income. The leaflet is intended as an outline in discussing the causes of price and income variations. It should be studied along with the Cotton Outlook for 1938, The Cotton Situation,¹ and other information on agricultural and industrial conditions.

The cotton supply for 1938-39 will be an important factor in determining the price per pound and the income from the cotton crop. The supply for 1937-38 is used as a basis from which a study may be begun of the other factors which will eventually determine the 1938-39 supply. From the 1937-38 supply the estimated consumption for 1937-38 is deducted to determine the estimated carry-over on August 1, 1938. The

estimated production for 1938-39 added to the estimated carry-over on August 1, 1938, represents the estimated supply for 1938-39.

Information regarding the more important factors is presented by charts and tabulated data. The figures underneath each chart should be useful as a supplement to the chart in answering the questions and in making estimates.

In order that the reader may have an opportunity to bring his estimates together for more careful study, space is provided on page 8 for a summary of the various estimates. These may be compared with other estimates and used 1 year hence to check with the actual situation.

The data used in this publication refer to the agricultural crop (total production), whereas those used in the Outlook Report and certain other publications refer to the commercial crop.

¹ Copies may be obtained from Bureau of Agricultural Economics, U. S. Department of Agriculture. These should be useful in making estimates as suggested herein.

I. Supply and United States Price

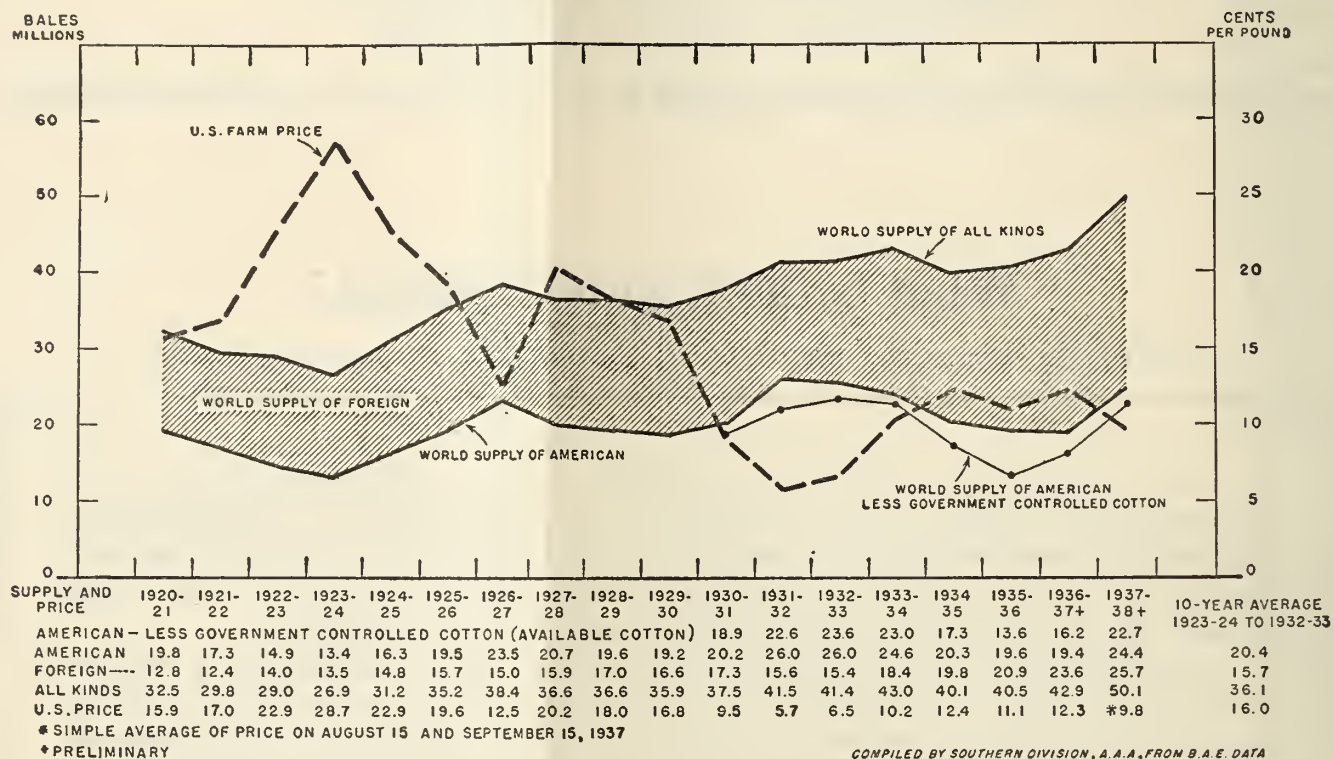


FIGURE 1.—World supply of American, foreign, and all cotton, and average United States farm price, 1920-21 to 1937-38.

How does the world supply of American cotton for 1937-38 compare with that for 1936-37 and with the average during the 10-year period 1923-24 to 1932-33? What is the relation between the United States farm price and the world supply of American cotton?

How does the world supply of all cotton for 1937-38 compare with that for 1936-37 and with the average

during the 10-year period 1923-24 to 1932-33? What is the relation between the United States farm price and the world supply of all cotton?

What has been the average relation between world consumption of American cotton and available supply of American cotton during the past 5 years? What was this average relation before 1932? (See figures 1 and 2.)

II. Consumption

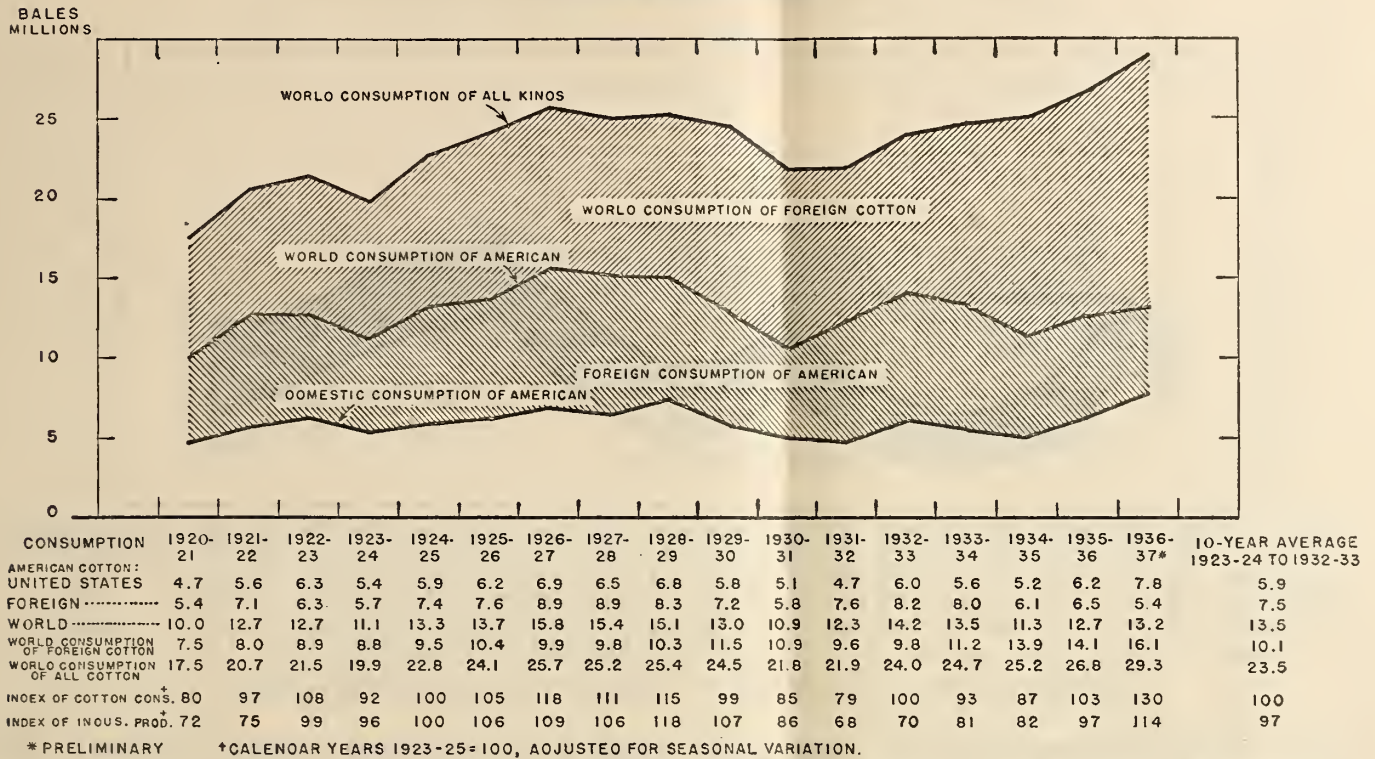


FIGURE 2.—Consumption of cotton, and indexes of cotton consumption and industrial production in the United States, 1920-21 to 1936-37.

How did the domestic consumption of American cotton in 1936-37 compare with that for 1935-36 and with the average during the 10-year period 1923-24 to 1932-33?

The domestic consumption of American cotton for August, September, and October 1937 totaled 1,682,500 bales, as compared with 1,810,000 bales for the same period last year.

The domestic consumption of cotton is closely related to industrial production. The index numbers for industrial production average—

110 for August, September, and October 1937, as compared with 109 for the same months in 1936.

What do you estimate domestic consumption of American cotton will be during 1937-38? Estimate, ----- bales.

How did the foreign consumption of American cotton for 1936-37 compare with that for 1935-36 and with the average during the 10-year period 1923-24 to 1932-33? Exports of American cotton totaled 1,636,800 bales for August, September, and October 1937, as compared with 1,613,000 bales for the same months last year. What do you estimate the foreign consumption of American cotton will be during 1937-38? Estimate, ----- bales.

How did the world consumption of American cotton in 1936-37 compare with that for 1935-36 and with the average during the 10-year period 1923-24 to 1932-33? What do you estimate the total consumption of

American cotton will be during 1937-38. Estimate, ----- bales.

Has the consumption of foreign cotton increased in proportion to the production of foreign cotton? (See figures 2, 3, and 5.)

How did the world consumption of all cotton in 1936-37 compare with that in 1935-36 and with the average during the 10-year period 1923-24 to 1932-33? What do you estimate the consumption of all cotton will be during 1937-38? Estimate, ----- bales.

The following is quoted from the Agricultural Outlook for 1937-38, issued in November 1937 by the Bureau of Agricultural Economics, United States Department of Agriculture. This quotation should be useful in adjusting your consumption estimates:

On the basis of present conditions, mill activity in the United States, Japan, and China is expected to decrease in 1937-38. On the other hand, increases are anticipated in Europe, India, and possibly in a few other countries, and the expectations are that the world consumption of cotton will not be much, if any, smaller in 1937-38 than the record consumption in 1936-37. Consumption of American cotton in Europe and in other countries is expected to increase as a result of supplies and lower prices of American relative to other growths, increased exports of cotton textiles to markets formerly supplied by Japan, and possibly some increases in textile buying in European markets. In the United States and Japan, however, a considerable decrease is expected, despite the lower level of cotton prices, and the probabilities are that world consumption of American in 1937-38 will be about the same or somewhat smaller than in the previous year.

III. Carry-over

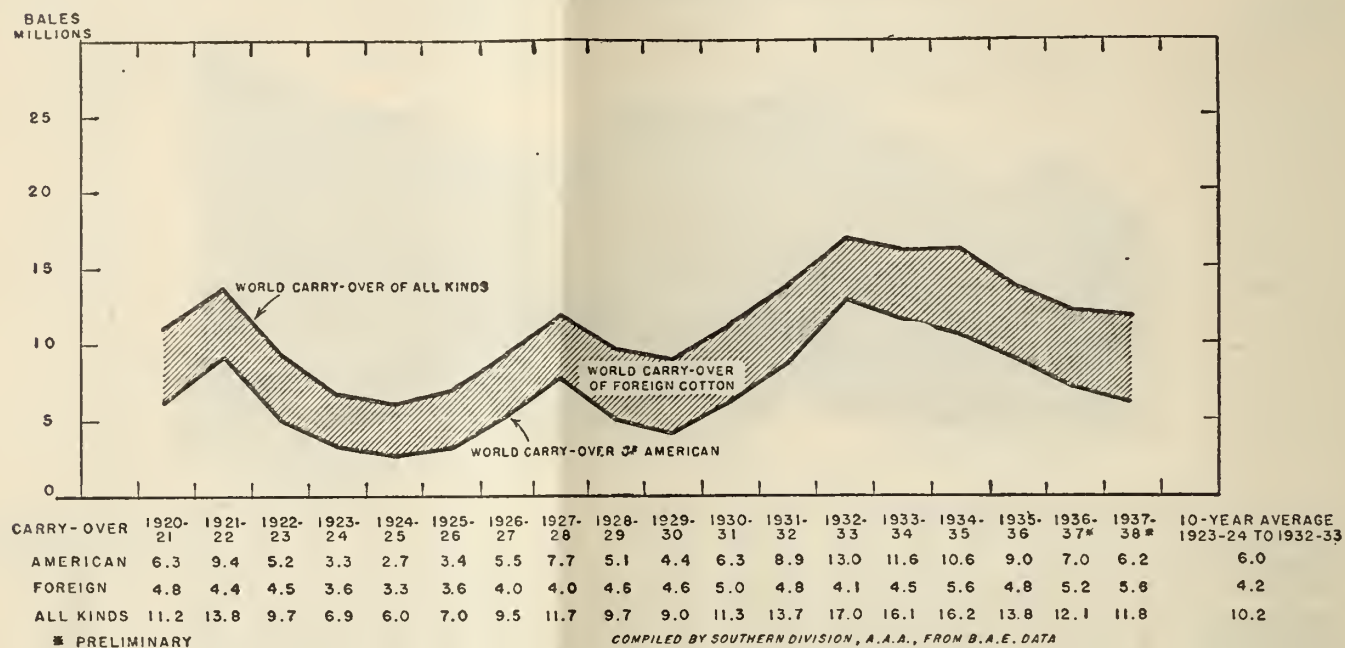


FIGURE 3.—World carry-over of American, foreign, and all cotton, 1920-21 to 1937-38.

How did the carry-over of American cotton on August 1, 1937, compare with that on August 1, 1936, with the carry-over on August 1, 1932, and with the average during the 10-year period, August 1, 1923 to 1932?

Using your estimate of the world consumption of American cotton for 1937-38 and the world supply of American cotton shown in figure 1, what do you estimate the world carry-over of American cotton will be on August 1, 1938? Estimate, _____ bales.

Has the carry-over of foreign cotton increased in pro-

portion to the increased foreign production? (See figures 3 and 5.)

How did the carry-over of all cotton on August 1, 1937, compare with that on August 1, 1936, with that on August 1, 1932, and with the average during the 10-year period August 1, 1923 to 1932? Using your estimate of consumption of all cotton for 1937-38 and the supply shown in figure 1, what do you estimate the carry-over of all cotton will be on August 1, 1938? Estimate, _____ bales.

IV. Acreage, Yield Per Acre, and Production

A. ACREAGE

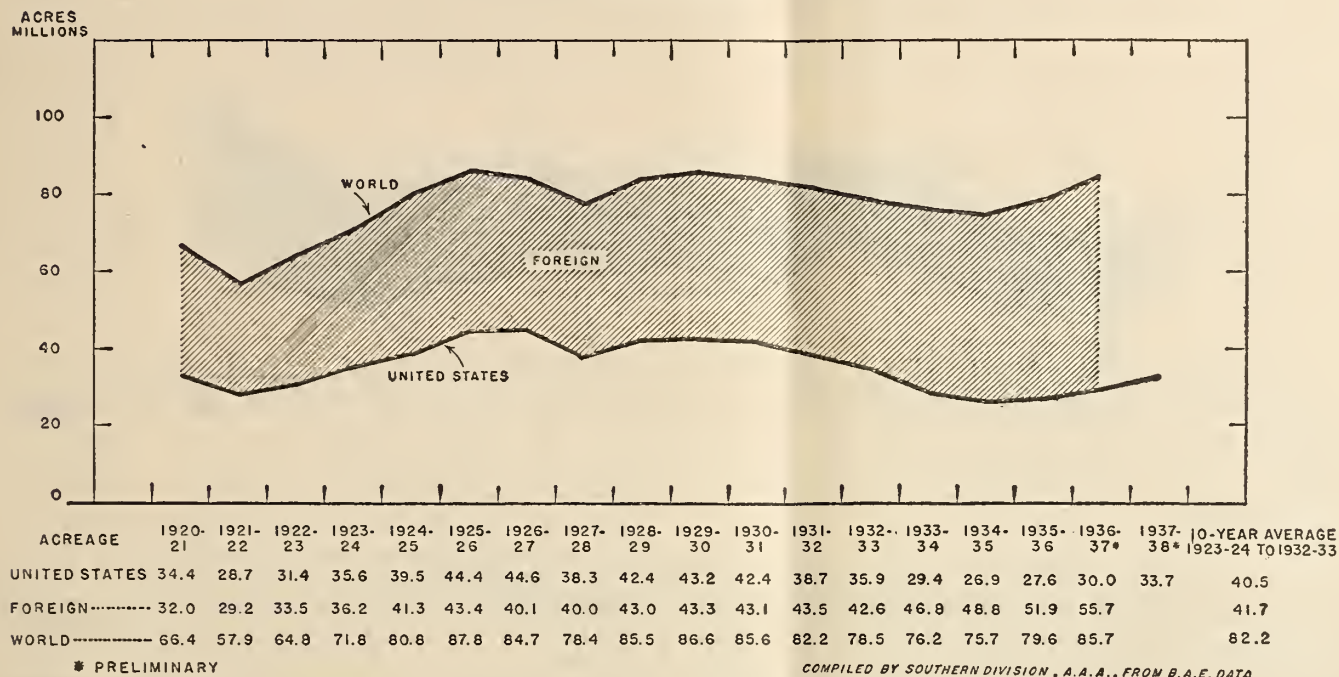


FIGURE 4.—Acreage of cotton in United States, foreign countries, and world, 1920-21 to 1937-38.

How does the 1937 United States cotton acreage compare with that for 1936 and with the average during the 10-year period 1923-32?

The acreage goal for cotton for 1938 has been set at 27 to 29 million acres. What do you estimate the United States acreage would be in 1938 if the agricultural conservation program were not in effect? Estimate, _____ acres. What do you estimate the acreage will be for 1938 with the agricultural conservation program in effect? Estimate, _____ acres.

Estimates of 1937-38 foreign and world cotton acreage are not yet available. However, 1936-37 and

earlier acreage figures may be used as a basis for estimating 1938-39 foreign and world cotton acreage.

How did the 1936-37 foreign cotton acreage compare with that for 1935-36, and with the average during the 10-year period 1923-24 to 1932-33? What do you estimate the foreign acreage will be for 1938-39? Before making an estimate, read Secretary Wallace's statement on foreign production of cotton (p. 6). Estimate, _____ acres.

How did the 1936-37 world cotton acreage compare with that for 1935-36 and with the average during the 10-year period 1923-24 to 1932-33? What do you estimate the world acreage will be for 1938-39? Estimate, _____ acres.

B. YIELD PER ACRE IN UNITED STATES

The yield per acre was—

- 259 pounds in 1937 (estimated), as compared with
- 198 pounds in 1936;
- 170 pounds average during the 10-year period 1923 to 1932; and
- 192 pounds average during the 4-year period 1933 to 1936.

What would be a reasonable yield per acre to expect in 1938? Estimate, _____ pounds.

C. PRODUCTION

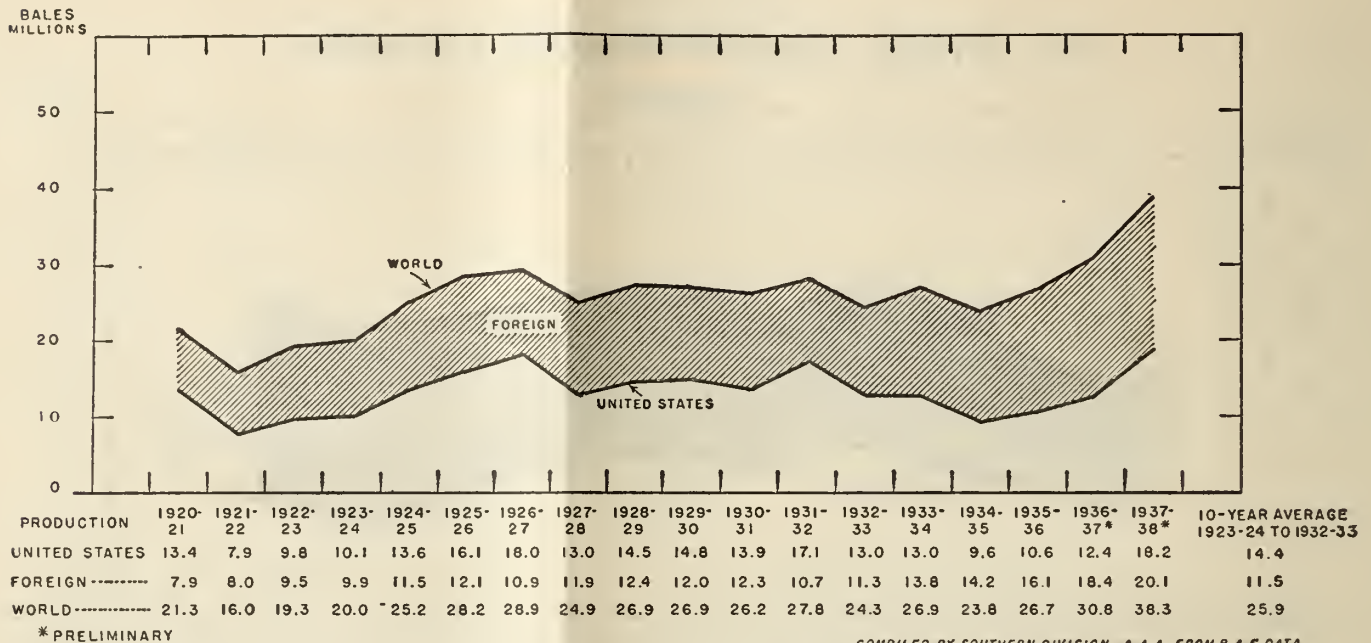


FIGURE 5.—Production of cotton in United States, foreign countries, and world, 1920-21 to 1937-38.

How does the 1937 United States production of cotton compare with that for 1936 and with the average during the 10-year period 1923 to 1932? If 28 million acres of cotton are grown in the United States in 1938, what will be a reasonable production to expect? Estimate, _____ bales.

How does the 1937-38 foreign production of cotton compare with that for 1936-37 and with the average during the 10-year period 1923-24 to 1932-33? What do you estimate foreign production will be in 1938-39? Estimate, _____ bales.

How does the 1937-38 world production of cotton compare with that for 1936-37 and with the average during the 10-year period 1923-24 to 1932-33? What do you estimate the world production will be in 1938-39? Estimate, _____ bales.

The following quotation from the Agricultural Outlook for 1937-38 should be useful in adjusting your production estimates:

The 1938 United States cotton acreage goal under the agricultural conservation program, as announced in late October, was set at 27,000,000 to 29,000,000 acres * * * With such an acreage in 1938 and with yield per acre equivalent to the average for the 4 years ended 1936 the production in 1938 would amount to about 10,800,000 to 11,600,000 bales. If, on the other hand, yields should equal the average for the 1923-32 period, about 9,800,000 to 10,600,000

The outlook with respect to cotton production in foreign countries is quite uncertain. The marked reduction in prices being received for the current crop in most countries and the accumulation of unsold cotton in the hands of producers in some foreign countries, however, may result in some reduction in the 1938-39 foreign acreage and production. This seems probable despite any influence which the 1938 agricultural con-

servation program calling for a reduction in cotton acreage in the United States may have on production plans in foreign countries.

The following is taken from an address made by Henry A. Wallace, Secretary of Agriculture, at Memphis, Tenn., on October 1, 1937, in which he discussed foreign cotton production:

The American cotton adjustment program, by affecting the world supply, affected the price both in this country and abroad. In addition, the 12-cent loan for a time in 1935 retarded the flow of American cotton into the world market and caused foreign buyers to begin to look elsewhere for their cotton. The foreign producing countries where the response to price appears to have had the most effect on production are India and Egypt, with some of this effect also in Brazil.

But we must look all the facts in the face. These facts show that in Russia, China, Uganda, and to some extent also in Brazil, governmental policy is to expand cotton production regardless of what we or any other countries do; that Russia and China have been doing everything they can to increase production of cotton simply for use in their own countries; that the four countries I named account for 80 percent of the increase in foreign cotton production of the past 7 years; that in Brazil it is not just the price of cotton but the extremely low price of coffee—Brazil's principal money crop—in relation to cotton that has caused some shift from coffee to cotton; that much of the increase abroad has come from higher yields per acre; that our tariff policies have deprived certain countries, notably Germany and Italy, of the exchange with which to buy the American cotton they have wanted to purchase; and that the trade policies followed by many other countries have led to barter arrangements which prevent the unimpeded flow of commerce to which the world once was accustomed.

Summing up the whole thing, we might say that rising cotton prices following 1932 have been partly, but only partly, responsible for increases in cotton production in foreign countries. The trend toward increased cotton production in foreign countries has gone on for half a century.

V. Purchasing Power

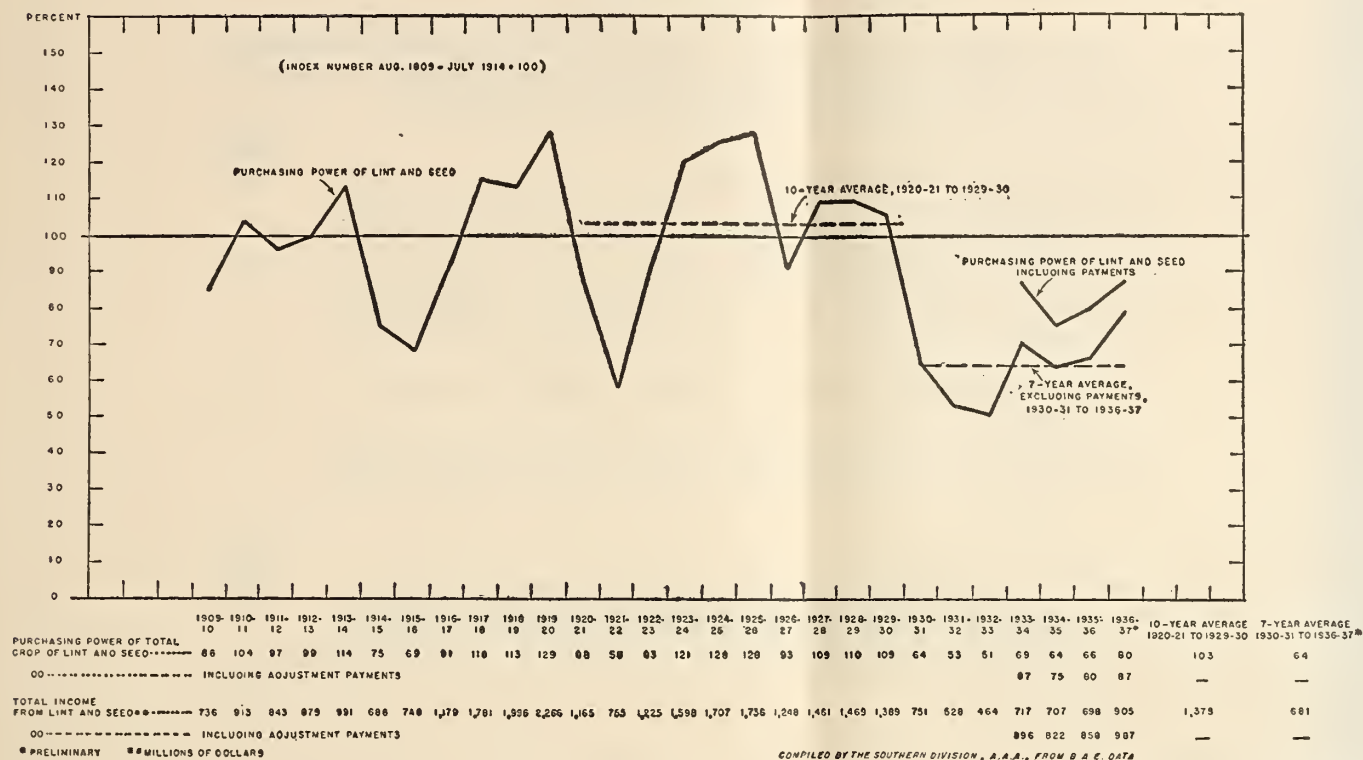


FIGURE 6.—Purchasing power of cotton lint and cottonseed and total income from cotton lint and cottonseed, 1909-10 to 1936-37.

How did the purchasing power of income from cotton lint and cottonseed in 1936-37 compare with the average for the 5-year period 1909-10 to 1913-14, the average for the 7-year period 1930-31 to 1936-37, and the average for the 10-year period 1920-21 to 1929-30?

The purchasing power of the total crop of lint and cottonseed, including payments in 1936-37, was practically the same as for 1909-10, but the population on cotton farms in 1936-37 was 10,300,000, as compared to 9,205,000 in 1909-10.

The average population on cotton farms during the period 1909-10 to 1913-14 was—

9,388,000, as compared with 10,192,200 for the 10-year period 1920-21 to 1929-30; 10,159,700 for the 7-year period 1930-31 to 1936-37; and 10,300,000 for 1936-37.

As population on cotton farms increases, what is the effect on the per capita purchasing power of income from cotton lint and cottonseed?

VI. Summary of Estimates

This section is provided as a convenient means by which the estimates made on previous pages may be brought together in order that an estimate of the price during the 1938-39 marketing season may be made.

- | | |
|--|----------------------------|
| | <i>Million
bales</i> |
| 1. World supply of all cotton in 1937-38..... | ¹ 50.1 |
| 2. Estimated world consumption of all cotton during 1937-38.
(Enter your estimate from p. 3)..... | ----- |
| 3. Estimated world carry-over of all cotton Aug. 1, 1938 (item
1 minus item 2)..... | ----- |
| 4. Estimated world production for 1938. (Enter your estimate
from p. 6)..... | ----- |
| 5. Estimated world supply of all cotton for 1938-39 (item 3 plus
item 4)..... | ----- |
| | <i>Cents per
pound</i> |
| 6. With the world supply of cotton estimated in item 5, what is a
reasonable price for United States producers to expect in
1938?..... | ----- |

¹ Preliminary.